

# United States Senate

WASHINGTON, DC 20510

October 6, 2016

Acting Under Secretary Adam Szubin  
Office of Terrorism and Financial Intelligence  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Acting Under Secretary Szubin,

We write to express our concerns regarding press reports that the Treasury Department recently issued licenses to Boeing and Airbus for the sale of commercial aircraft to Iran Air, and to request further information regarding the licenses provided.

Despite the removal of U.S. sanctions against Iran Air as part of the Joint Comprehensive Plan of Action (JCPOA), Iran Air has continued to engage in activities that may constitute violations of U.S. and international law. It is important to ensure that aircraft sales do not enable these illicit activities.

As you are well aware, in 2011 the U.S. Treasury Department sanctioned Iran Air for providing material support and services to Iran's Islamic Revolutionary Guard Corps (IRGC) and Ministry of Defense and Armed Forces Logistics (MODAFL)—including the transport of rockets and missiles on behalf of the IRGC. Further, Iran Air was found to have violated civilian aviation regulations by disguising military shipments. We were very troubled to see that sanctions on Iran Air were lifted under the parameters of the JCPOA, and we still question the rationale for doing so. The IRGC and MODAFL are still subject to U.S. sanctions.

To date, we have seen no proof of a change in the conduct that prompted the initial sanctions on Iran Air. In fact, we have seen evidence to the contrary. Open source reports have shown that Iran Air continues to fly from known IRGC bases in Iran to Syria. While Mahan Air—which remains under U.S. sanctions—has been the primary airline for sending military supplies and personnel to Syria, Iran Air has also flown dozens of similar routes. For example, on September 8 an Iran Air flight left Tehran, made a stopover at the IRGC's primary resupply location at Abadan airport, and then continued on to Damascus.<sup>[1]</sup> The flight patterns and the stops at known IRGC resupply locations are highly suspicious and suggests that Iran Air may be involved in Iran's efforts to support the murderous Assad regime.

Further, we want to ensure that proper end-use monitoring mechanisms are in place for these aircraft. We assume that Iran is prohibited from leasing, selling, or subcontracting these new airplanes to designated Iranian airlines. Specifically, we are concerned that Iran Air could allow airlines that remain under sanctions to use these planes through informal arrangements, thanks to

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<sup>[1]</sup> Emanuele Ottolenghi, "Iran Air participates in Syrian airlift, but Obama does nothing," *The Hill*, September 22, 2016. (<http://thehill.com/blogs/pundits-blog/international/296303-iran-air-participates-in-syrian-airlift-but-obama-does>)

the recently-granted licenses. The combined Airbus and Boeing deals will provide Iran Air with nearly 200 planes—a huge leap from its current fleet of 36 aircraft. Even assuming that Iran Air significantly expands its routes over the next decade, 200 planes are more than the airline can reasonably absorb. As a result, it is not unreasonable to suspect that Iran will allow other Iranian carriers—including those that are still sanctioned, such as Mahan Air, to use these planes through informal arrangements.

We hope that the licenses granted by the Office of Foreign Assets Control (OFAC) address the concerns listed above. Therefore, we respectfully request your prompt reply to the following questions:

1. How do the OFAC licenses prevent Iran Air from using the planes for illicit purposes?
2. The U.S. government has said it will only provide licenses exclusively for civil-aviation end-use and will withdraw licenses if evidence comes to light that Iran Air has used the planes for illicit purposes. However, what happens after the planes are delivered?
3. The Treasury Department can list the individual aircraft as blocked property, but we have seen in the past that these designations have not stopped planes from flying to and from specific destinations.<sup>[2]</sup> What protections or certifications are built into the licenses? What mechanism will ensure that Iran complies with the terms of the license?
4. Is Iran prohibited from leasing, selling, or subcontracting these new airplanes to designated Iranian airlines?
5. As previously noted, Iran Air appears to be currently engaged in illicit activities. Should Iran Air violate the terms of the license, prompting the revocation of the license, the contracts with Airbus and Boeing would be voided. Are any protections in place for Boeing and Airbus should Iran Air engage in illegal behavior? Was Iran Air required to deposit funds upfront in an escrow account to provide Boeing and Airbus with some protection?
6. Further, how will financial institutions facilitating the transactions be protected? Iran Air does not have capital to cover the costs of the multi-billion dollar aircraft purchases<sup>[3]</sup> and will therefore require financing from international banks in order to proceed with the sales. If Iran Air engages in illicit activities, Treasury revokes the license, and Iran Air forfeits the money in escrow, how will the international banks get their money back? What is to stop Iran Air from simply walking away from its debts? How does the license address this concern?

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<sup>[2]</sup> Emanuele Ottolenghi, “Why isn't the Obama administration going after Iran's Mahan Air?,” *The Hill*, November 16, 2015, (<http://thehill.com/blogs/pundits-blog/international/260227-why-isnt-the-obama-administration-going-after-irans-mahan>)

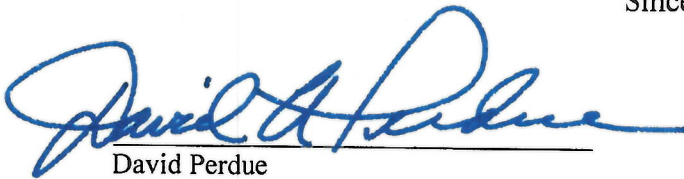
<sup>[3]</sup> Patrick Clawson, “Why Iran Will Never Proceed with the Proposed Plane Purchases,” *The Washington Institute*, July 27, 2016. (<http://www.washingtoninstitute.org/policy-analysis/view/why-iran-will-never-proceed-with-the-proposed-plane-purchases>)



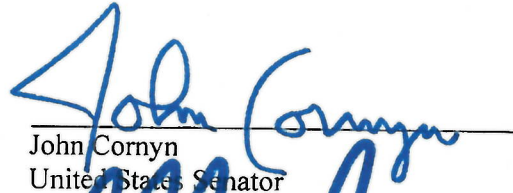
7. Moreover, Iran remains the world's leading state sponsor of terrorism, and Treasury designated its entire financial sector a jurisdiction of "primary money laundering concern." What certifications do the aircraft licenses provide to ensure that these deals do not expose global banks to money laundering and illicit finance risks?
8. How will private insurance companies make sure they are not complicit in illicit activities? Iran Air will need insurance on its newly acquired planes. The company may rely on Iranian insurance companies, or it may use private, foreign companies since sanctions related to insurance and reinsurance were lifted under the nuclear deal. Private insurance companies will need to make sure that the terms of their contracts do not insure Iran Air's illegal activities. Does Treasury's license to Boeing and Airbus address this issue or will insurance companies need to receive a separate license? What terms will insurance contracts include to make sure that private companies are not complicit in and do not inadvertently aid illicit activities?

The integrity of sales allowed by the U.S. Treasury Department is of great importance to all of us. We look forward to your prompt and thorough reply to our questions.

Sincerely,



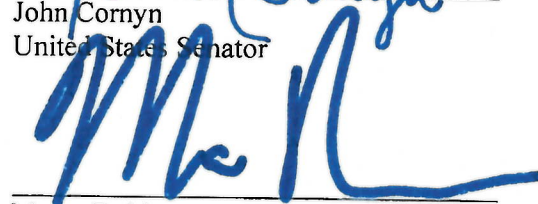
David Perdue  
United States Senator



John Cornyn  
United States Senator



Johnny Isakson  
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Ted Cruz  
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